

ORIGINAL

OPEN MEETING



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MEMORANDUM FOR THE COMMISSION

DOCKETED

RECEIVED

TO: THE COMMISSION

APR 23 2015

2015 APR 23 P 12:04

FROM: Utilities Division

DATE: April 23, 2015

DOCKETED BY	RC
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UT CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF APPALOOSA WATER COMPANY FOR APPROVAL OF A RATE INCREASE (DOCKET NO. W-03443A-10-0143 AND W-03443A-11-0040)

SUBJECT: COMPLIANCE FILING PER DECISION NO. 73270 - BEST MANAGEMENT PRACTICES FOR APPALOOSA WATER COMPANY

Introduction

On July 30, 2012, the Arizona Corporation Commission ("Commission") issued Decision No. 73270 granting Appaloosa Water Company ("Appaloosa" or "Company") a rate increase. As part of the Decision, the Commission ordered that Appaloosa file with Docket Control, as a compliance item in this docket within 90 days of the effective date of the Decision, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff for Commission review and consideration.¹

Company's Compliance Filing

Pursuant to Decision No. 73270 on April 3, 2015, Appaloosa filed BMP tariffs. In its compliance filing, the Company is requesting Commission approval to implement the water conservation measures listed below.

1. **Residential Audit Program Tariff – BMP 3.1:** A program for the Company to promote water conservation by providing customers with information on performing water audits to determine conservation opportunities at their residence.
2. **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation.
3. **Leak Detection Program Tariff – BMP 4.1:** A program for the Company to systematically evaluate its water distribution system to identify and repair leaks.
4. **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement.

¹ Decision No. 73270 at 32:28 and 33:1-3.

5. **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

Staff's Analysis

Background Information and Service Area Characteristics

Appaloosa provides service to a community known as Appaloosa Meadows in the Town of Chino Valley in Yavapai County, Arizona. The Appaloosa water system was providing service to approximately 235 customers during 2013. Appaloosa's service area encompasses approximately two-thirds of a square mile. The area served by Appaloosa has experienced a modest growth rate for the past several years which is expected to continue. Appaloosa is located in the Prescott Active Management Area ("AMA"). Appaloosa is in compliance with Prescott AMA reporting requirements and Arizona Department of Water Resources ("ADWR") requirements governing water providers and/or community water systems.

During the recent rate case, Appaloosa's water loss was approximately 28 percent, which exceeds Staff's recommended threshold of 10 percent. The Company attributed its high water loss to a pipe broken during construction of a main line and meters that need to be replaced because they are not correctly recording the water that flows through them. Staff recommended that the Company implement BMPs in an effort to conserve water and help address the Company's water loss issue.

The Company selected the above BMPs based on the characteristics of its current service area and believes these BMPs will allow it to address high water use and waste by educating customers about water conservation and the need to conserve. The Company believes the selected BMPs will allow Company personnel to better interface with customers as to why water conservation is important and why wasting water is a community problem and not just an individual customer problem. The Company also believes that these BMPs are the most beneficial to its customers and the most cost effective for the Company to implement.

Proposed Tariffs

Staff created a set of BMP tariff templates that were developed using the BMP descriptions outlined in the ADWR Modified Non-Per Capita Conservation Program and relevant ADWR documents. ADWR representatives were provided with a copy of these templates, revisions were made to the templates where appropriate to incorporate any comments/suggestions provided by ADWR. The tariffs proposed conform to the templates developed by Staff.

Recommendation

Staff has concluded that the proposed BMPs are relevant to Appaloosa's service area characteristics. Staff recommends approval of the BMP tariffs filed by the Company on April 3, 2015, attached to the proposed order as Exhibit A.



Steven M. Olea
Director
Utilities Division

SMO:JWL:vsc\CHH

Originator: Jian Liu

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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE APPLICATION
OF APPALOOSA WATER COMPANY FOR
APPROVAL OF A FINANCING
APPLICATION

DOCKET NO. W-03443A-10-0143

IN THE MATTER OF THE APPLICATION
OF APPALOOSA WATER COMPANY FOR
APPROVAL OF A RATE INCREASE -
COMPLIANCE FILING PER DECISION NO.
73270

DOCKET NO. W-03443A-11-0040

DECISION NO. _____

ORDER

Open Meeting
May 12 and 13, 2015
Phoenix, Arizona

BY THE COMMISSION

FINDINGS OF FACT

1. Appaloosa Water Company ("Appaloosa" or "Company") is certificated to provide water service as a public service corporation in the State of Arizona.

2. On July 30, 2012, the Arizona Corporation Commission ("Commission") issued Decision No. 73270 granting Appaloosa a rate increase. As part of the Decision, the Commission ordered that Appaloosa file with Docket Control, as a compliance item in this docket within 90 days of the effective date of the Decision, at least five Best Management Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff for Commission review and consideration.¹

¹ Decision No. 73270 at 32:28 and 33:1-3.

3. Pursuant to Decision No. 73270 on April 3, 2015, Appaloosa filed BMP tariffs. In its compliance filing, the Company is requesting Commission approval to implement the water conservation measures listed below.

- **Residential Audit Program Tariff – BMP 3.1:** A program for the Company to promote water conservation by providing customers with information on performing water audits to determine conservation opportunities at their residence.
- **Customer High Water Use Notification Tariff – BMP 3.7:** A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation.
- **Leak Detection Program Tariff – BMP 4.1:** A program for the Company to systematically evaluate its water distribution system to identify and repair leaks.
- **Meter Repair and/or Replacement Tariff – BMP 4.2:** A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement.
- **Water System Tampering Tariff – BMP 5.2:** The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

Staff's Analysis

Background Information and Service Area Characteristics

4. Appaloosa provides service to a community known as Appaloosa Meadows in the Town of Chino Valley in Yavapai County, Arizona. The Appaloosa water system was providing service to approximately 235 customers during 2013. Appaloosa's service area encompasses approximately two-thirds of a square mile. The area served by Appaloosa has experienced a modest growth rate for the past several years which is expected to continue. Appaloosa is located in the Prescott Active Management Area ("AMA"). Appaloosa is in compliance with Prescott AMA reporting requirements and Arizona Department of Water Resources ("ADWR") requirements governing water providers and/or community water systems.

5. During the recent rate case, Appaloosa's water loss was approximately 28 percent, which exceeds Staff's recommended threshold of 10 percent. The Company attributed its high water loss to a pipe broken during construction of a main line and meters that need to be replaced because they are not correctly recording the water that flows through them. Staff recommended that the

1 Company implement BMPs in an effort to conserve water and help address the Company's water loss
2 issue.

3 6. The Company selected the above BMPs based on the characteristics of its current
4 service area and believes these BMPs will allow it to address high water use and waste by educating
5 customers about water conservation and the need to conserve. The Company believes the selected
6 BMPs will allow Company personnel to better interface with customers as to why water conservation
7 is important and why wasting water is a community problem and not just an individual customer
8 problem. The Company also believes that these BMPs are the most beneficial to its customers and
9 the most cost effective for the Company to implement.

10 Proposed Tariffs

11 7. Staff created a set of BMP tariff templates that were developed using the BMP
12 descriptions outlined in the ADWR Modified Non-Per Capita Conservation Program and relevant
13 ADWR documents. ADWR representatives were provided with a copy of these templates, revisions
14 were made to the templates where appropriate to incorporate any comments/suggestions provided by
15 ADWR. The tariffs proposed conform to the templates developed by Staff.

16 **Recommendation**

17 8. Staff has concluded that the proposed BMPs are relevant to Appaloosa's service area
18 characteristics. Staff has recommended approval of the BMP tariffs filed by the Company on April 3,
19 2015, attached hereto as Exhibit A.

20 CONCLUSIONS OF LAW

21 1. Appaloosa Water Company is a public service corporation within the meaning of
22 Article XV, Section 2, of the Arizona Constitution.

23 2. The Commission has jurisdiction over Appaloosa Water Company and over the
24 subject matter of the Application.

25 3. The Commission, having reviewed the filing and Staff's Memorandum dated April 23,
26 2015, concludes that it is in the public interest to approve the proposed BMP tariffs attached hereto as
27 Exhibit A.

28 ...

ORDER

IT IS THEREFORE ORDERED that the Appaloosa Water Company BMP tariffs attached hereto as Exhibit A are hereby approved.

IT IS FURTHER ORDERED that Appaloosa Water Company shall notify its customers, in a form acceptable to Staff, of the BMP tariffs authorized herein and their effective date by means of either an insert in the next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer upon request.

IT IS FURTHER ORDERED Staff shall file a letter in the Docket confirming that the Appaloosa Water Company tariffs have been updated with the tariffs approved herein.

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1 IT IS FURTHER ORDERED that the BMP tariffs authorized herein shall go into effect 30
2 days after the date notice is sent to customers.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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7 _____
CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I, JODI JERICH, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2015.

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16 _____
17 JODI JERICH
EXECUTIVE DIRECTOR

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19 DISSENT: _____

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21 DISSENT: _____

22 SMO:JWL:vsc\CHH
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1 SERVICE LIST FOR: APPALOOSA WATER COMPANY
2 DOCKET NOS.: W-03443A-10-0143 and W-03443A-11-0040

3 Mr. Joe Cordovana, President
4 Appaloosa Water Company
5 P.O. BOX 3150
Chino Valley, Arizona 86323-2708

6 Mr. John E. Blann, Jr.
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Chino Valley, Arizona 86323-5569

8 Ms. Janice M. Alward
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10 Arizona Corporation Commission
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13 Director, Utilities Division
14 Arizona Corporation Commission
1200 West Washington Street
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15 Ms. Lyn Farmer
16 Chief Administrative Law Judge
17 Hearing Division
18 Arizona Corporation Commission
1200 West Washington Street
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EXHIBIT A

Residential Audit Program Tariff – BMP 3.1**PURPOSE**

A program for the Company to promote water conservation by providing customers with information on performing water audits to determine conservation opportunities at their residence (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.1: Residential Audit Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall offer self-audit information.
2. The Company or designated representative shall provide all customers that request them with a self-audit kit.
3. The kit shall include detailed instructions and tools for completing the water audit including information on how to check their water meter. The audit kit shall include but not be limited to information on checking the following components: irrigation system, pool, water features, toilets, faucets and shower.
4. If requested, the Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit, and if requested to do so by the customer, the Company shall confirm the accuracy of the customer meter (applicable meter testing fees shall apply).
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the water conservation material provided in the kit.
 - b. The number of kits provided to customers.
 - c. Implementation costs of the Residential Audit Program.

Customer High Water Use Notification Tariff – BMP 3.7

PURPOSE

A program for the Company to monitor and notify customers when water use seems to be abnormally high and provide information that could benefit those customers and promote water conservation (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services Program 3.7: Customer High Water Use Notification).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall track water usage for each customer and notify the customer if water use seems excessive for that particular billing for that time of the year.
2. The Company shall identify customers with high consumption and investigate each instance to determine the possible cause.
3. The Company shall contact the high water use customers via telephone, email, by mail or in person. The Company shall contact the customer as soon as practical in order to minimize the possible loss of water. The customer will not be required to do anything to receive this notification.
4. In the notification the Company shall explain some of the most common water usage problems and common solutions and points of contact for dealing with the issues.
5. In the notification, the customer will be reminded of at least the following water-saving precautions:
 - a. Check for leaks, running toilets, or valves or flappers that need to be replaced.
 - b. Check landscape watering system valves periodically for leaks and keep sprinkler heads in good shape.
 - c. Adjust sprinklers so only the vegetation is watered and not the house, sidewalk, or street, etc.
 - d. Continue water conservation efforts with any pools such as installing covers on pools and spas and checking for leaks around pumps.
6. In the notification, the customer will also be reminded of at least the following ordinary life events that can cause a spike in water usage:
 - a. More people in the home than usual taking baths and showers.
 - b. Doing more loads of laundry than usual.
 - c. Doing a landscape project or starting a new lawn.
 - d. Washing vehicles more often than usual.
7. The Company shall provide water conservation information that could benefit the customer, such as, but not limited to, audit programs, publications, and rebate programs.
8. The Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing the high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As

Phone: 928-237-6128

Effective Date:

part of the water audit the Company shall confirm the accuracy of the customer meter if requested to do so by the customer (applicable meter testing fees shall apply).

9. The type of notification, the timing of the notification (i.e., how long after high water use was discovered by the Company), and the criteria used for determining which customers are notified shall be recorded and made available to the Commission upon request.

Leak Detection Program Tariff – BMP 4.1**PURPOSE**

A program for the Company to systematically evaluate its water distribution system to identify and repair leaks (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.1 Leak Detection Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall implement a comprehensive leak detection and repair program to attain and maintain a less than 10 percent unaccounted for water loss in its system(s). The program must include auditing procedures, in-field leak detection and repair efforts. The Company shall take whatever steps are necessary to ensure that its water system is operating at optimal efficiency.
2. On a systematic basis, at least every two years (annually for smaller systems), the Company shall inspect its water distribution system (to include hydrants, valves, tanks, pumps, etc. in the distribution system) to identify and repair leaks. Detection shall be followed by repair or in some cases replacement. Repair vs. replacement will depend upon site-specific leakage rates and costs.
3. Leak Detection efforts should focus on the portion of the distribution system with the greatest expected problems, including:
 - a. areas with a history of excessive leak and break rates;
 - b. areas where leaks and breaks can result in the heaviest property damage;
 - c. areas where system pressure is high;
 - d. areas exposed to stray current and traffic vibration;
 - e. areas near stream crossings; and,
 - f. areas where loads on pipe may exceed design loads.
4. The Company shall keep accurate and detailed records concerning its leak detection and repair/rehabilitation program and the associated costs. Records of repairs shall include: possible causes of the leak; estimated amount of water lost; and date of repair. These records shall be made available to the Commission upon request.
5. The Company shall maintain a complete set of updated distribution system maps.
6. The Company shall ensure that properly functioning (accurate) and appropriately sized meters are installed on all service and source connections. All meters 1-inch and smaller shall be inspected at least once every ten years or upon registering 1,000,000 gallons of usage, whichever comes first. Meters larger than 1-inch shall be inspected at least once every five years or upon registering 1,000,000 gallons of usage, whichever comes first.

7. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
8. The Company shall conduct a water audit annually which includes the following steps to determine how efficient each water system is operating and where the losses might be.
 - a. Use coordinated monthly source and service meter readings to calculate how much water enters and leaves the system during the 12 month review period.
 - b. Track and estimate any unmetered authorized uses.
 - c. Calculate the total amount of leakage using the following formula:

$$\text{Unaccounted for water (\%)} = [(\text{Production and/or purchased water minus metered use \& estimated authorized un-metered use}) / (\text{Production and/or purchased water})] \times 100$$
 - d. Authorized un-metered uses may include firefighting, main flushing, process water for water treatment plants, etc. Water losses include all water that is not identified as authorized metered water use or authorized un-metered use.
 - e. Determine possible reasons for leakage, including physical leaks and unauthorized uses.
 - f. Analyze results to determine the improvements needed, such as, better accounting practices, leak survey or replacing old distribution pipes.
9. The Company shall keep accurate and detailed records concerning its annual water audit results. These records shall be made available to the Commission upon request.

Meter Repair and/or Replacement Tariff – BMP 4.2**PURPOSE**

A program for the Company to systematically assess all in-service water meters (including Company production meters) in its water service area to identify under-registering meters for repair or replacement (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.2 Meter Repair and/or Replacement Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. On a systematic basis, the Company will inspect 100 percent of its 1-inch and smaller in-service water meters at least once every ten years for one of the following reasons (whichever occurs first):
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has registered 1,000,000 gallons of usage,
 - c. A meter has been in service for ten years.
2. Meters larger than 1-inch shall be inspected for one of the following reasons:
 - a. A meter reading complaint is filed with the Company by a customer or Arizona Corporation Commission Staff,
 - b. A meter has been in service for five years.
3. The inspection will be accomplished by having the meter pulled and having a Company Technician physically inspect each meter and its fittings for leaks, registers which may have become loose or are not properly attached to the meter and could be under-registering or other broken parts which need repair. In addition, meters shall be randomly selected for flow testing to identify potentially under-registering meters.
4. The Company shall also replace or reprogram any water meters that do not register in gallons. Upon the effective date of this tariff, the Company shall install all replacement meters with new:
 - a. 1-inch and smaller meters that register in 1 gallon increments,
 - b. 1-1/2-inch through 4-inch meters that register in 10 gallon increments, and
 - c. 6-inch and larger meters that register in 100 gallon increments.
5. The Company shall keep records of all inspected and replacement meters and make this information available to the Commission upon request.

Company: Appaloosa Water Company

Phone: 928-237-6128

Effective Date:

WATER SYSTEM TAMPERING TARIFF – BMP 5.2**PURPOSE**

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

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AZ CORP COMM
Director - UtilitiesAZ CORP COMM
DOCKET CONTROL

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Revised: 5-26-11

Decision No. _____